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SC PUBLIC SERVICE
COMMISSION

February 22, 2005

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of Midlands Utility, Inc. for an approval of New Schedule of Rates and Charges for Sewage Service provided to its customers in Richland, Lexington, Fairfield and Orangeburg Counties.
PSC Docket No.: 2004-297-S

Dear Charles:

Enclosed for filing please find the original and twenty-six (26) copies of the Surrebuttal Testimony of the following Office of Regulatory Staff Witnesses: Willie J. Morgan, Dawn M. Hipp and Roy H. Barnette in the above referenced matter. Please date stamp the extra copy enclosed and return it to me via our courier.

Please let me know if you have any questions.

Sincerely,

Wendy B. Cartledge

Wendy B. Cartledge

WBC/cc

Enclosures

cc: Charles Cook, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2004-297-S

IN RE: Application of MIDLANDS)
UTILITIES, INC. for an Approval)
Of New Schedule of Rates and)
Charges For Sewage Service)
Provided to its Customers in)
Richland, Lexington, Fairfield and)
Orangeburg Counties.)
_____)

CERTIFICATE OF SERVICE

This is to certify that I, Cindy Clary, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the Surrebuttal Testimony of Willie J. Morgan, Dawn M. Hipp and Roy H. Barnette in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Charles Cook, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, South Carolina 29205



Cindy Clary

February 22, 2005
Columbia, South Carolina

172923

SURREBUTTAL TESTIMONY OF DAWN M. HIPPI

FOR

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2004-297-S

IN RE: MIDLANDS UTILITY, INC.

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**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Dawn M. Hipp. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Project Specialist in the Water/Wastewater Department for the Office of Regulatory Staff ("ORS").

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my surrebuttal testimony is to respond to Mr. Keith Parnell's Rebuttal Testimony filed, on behalf of Midlands Utility, Inc. ("MUI"), on February 17, 2005, and to present the ORS staff's findings relating to compliance with customer deposit regulations and MUI's request to increase tap fees.

**Q. PLEASE EXPLAIN HOW INTEREST SHOULD BE ADJUSTED FOR
RETAINED DEPOSITS.**

1 A. The Commission, under Order 2003-593 dated October 2, 2003, adjusted the
2 interest rate for customer deposits from 8% to 3.5% effective January 1, 2004.
3 However, interest for those customers where MUI has retained deposits prior to
4 December 31, 2003, will be due and payable at 8%. According to the books and
5 records of MUI, the Customer Deposit account had a balance of \$56,586 as of
6 December 31, 2003. I have recommended that MUI review all customer deposit
7 accounts by the close of fiscal year 2004-2005 and, if the account is found *not* to
8 meet the deposit retention criteria indicated in 103-531.5, adjust/refund each
9 deposit plus proper accrued interest to the customer. In addition, MUI shall
10 review all deposit customer accounts and adjust/refund proper accrued interest for
11 those accounts where it is acceptable to continue to retain the deposit. Accrued
12 interest on customer deposits is payable to each customer at least every two years
13 and at the time the deposit is returned. Due to the length of time that MUI has
14 retained some customer deposits, the company will be required to adjust/refund
15 proper interest at both the 8% and 3.5% interest rates.

16 **Q. DID MUI PROVIDE PROPER COST JUSTIFICATION FOR THE**
17 **PROPOSED INCREASE IN CUSTOMER TAP FEES?**

18 A. MUI has not provided any cost justification for the proposed increase in customer
19 tap fees. It is acceptable to request an increase to these fees; however, per
20 Commission regulations, MUI must include in its application an exhibit setting
21 forth all cost criteria justifying the tap fee. The Commission has stated proper
22 cost justification includes labor costs, material costs and miscellaneous costs as

1 required by 26 S.C. Code Regs. 103-512.4.A.9. This justification, or information,
2 was not provided in the Application or in response to ORS's data request.

3 **Q. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4 **A.** Yes it does.

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